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on Trade and Development

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UNITED NATIONS CONFERENCE ON NATURAL RUBBER, 1994
Geneva, 5 April 1994
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. PROVISIONAL AGENDA

1. Opening of the Conference

2. Adoption of the agenda

3. Adoption of the rules of procedure

4. Election of officers

5. Credentials of representatives

   (a) Appointment of the Credentials Committee

   (b) Report of the Credentials Committee

6. Admission of observers

7. Establishment of an Executive Committee and of other committees as required

8. Renegotiation of the International Natural Rubber Agreement, 1987

9. Consideration and adoption of final resolutions

10. Other business

GE.94-50526

II. ANNOTATIONS TO THE PROVISIONAL AGENDA

Item 1: Opening of the Conference

The Conference will be opened by the Secretary-General of UNCTAD or his representative on 5 April 1994.

Item 3: Adoption of the rules of procedure

The provisional rules of procedure, prepared by the UNCTAD secretariat, are contained in document TD/RUBBER.3/2.

Item 4: Election of officers

Rule 6 of the provisional rules of procedure provides that the Conference shall elect a President and two Vice-Presidents. The Conference may elect the President from among the representatives, or it may elect as its President a person other than a representative of a participant. It is proposed that the Vice-Presidents should be elected, one from among the representatives of exporters, and one from among the representatives of importers.

Item 5: Credentials of representatives

Rule 3 of the provisional rules of procedure provides that the credentials of representatives and the names of alternate representatives and advisers shall be submitted to the Secretary-General of UNCTAD, if possible not later than 24 hours after the opening of the Conference.
Rule 4 provides that a Credentials Committee, consisting of five members appointed by the Conference on the proposal of the President, shall examine the credentials of representatives.

Item 6: Admission of observers

Observers will be admitted to the Conference in accordance with rules 52 and 53 of the provisional rules of procedure.

Item 7: Establishment of an Executive Committee and of other committees as required

Rule 47 provides that the Conference may establish such committees, subcommittees and working parties as may be necessary for the work of the Conference. It is proposed that the Conference should establish an Executive Committee of the whole to deal with items 8 and 9 of the provisional agenda in closed session. It is further proposed that the Executive Committee should in turn establish a legal drafting committee. The Executive Committee may also wish to establish an economic committee and an administrative committee. These committees would be empowered to set up such subcommittees or working parties as they deem necessary.

Item 8: Renegotiation of the International Natural Rubber Agreement, 1987

According to the resolution adopted by the International Natural Rubber Council on 30 November 1993, the Executive Director of the International Natural Rubber Organization (INRO) was requested to prepare a working document for the Conference incorporating proposals from the exporting and importing countries and the secretariat of INRO. In his letter of 1 December 1993, the Executive Director informed the Secretary-General of UNCTAD that the working document will be transmitted to him by early March 1994. The working document will be before the Conference in TD/RUBBER.3/R.1. A note on the historical development, status and operation of the International Natural Rubber Agreement, 1987 has been prepared by the UNCTAD secretariat in cooperation with the secretariat of INRO and will be available to the Conference in TD/RUBBER.3/3.

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Item 3 of the provisional agenda

ADOPTION OF THE RULES OF PROCEDURE

Provisional rules of procedure

Prepared by the UNCTAD secretariat

GE.94- 50532

CHAPTER I - REPRESENTATION AND CREDENTIALS

Rule 1

Participation in the Conference shall be open to:

(a) All members of UNCTAD

(b) Intergovernmental regional economic integration organizations and any intergovernmental organization having responsibilities in respect of the negotiation, conclusion and application of international agreements, in particular commodity agreements.

Rule 2

Each delegation participating in the Conference shall consist of a representative and such alternate representatives and advisers as may be required.

Rule 3

The credentials of representatives of States participating in the Conference and the names of alternate representatives and advisers shall be submitted to the Secretary-General of UNCTAD, if possible not later than 24 hours after the opening of the Conference.

Rule 4

A Credentials Committee shall be appointed at the beginning of the Conference. It shall consist of five members who shall be appointed by the Conference on the proposal of the President. It shall examine the credentials of representatives and report to the Conference without delay.

Rule 5

Pending a decision of the Conference upon their credentials, representatives shall be entitled to participate provisionally in the Conference.

CHAPTER II - OFFICERS

Rule 6

The Conference shall elect a President and two Vice-Presidents. The Conference may elect the President from among the representatives or it may elect as its President a person other than a representative of a participant.

Rule 7

The President shall preside at the meetings of the Conference.

Rule 8

If the President is unable to be present at a meeting of the Conference or any part thereof, he shall designate one of the Vice-Presidents to act in his place.

Rule 9

A Vice-President acting as President shall have the same powers and duties as the President.

Rule 10

If the President resigns or is incapacitated, the Conference shall elect a new President for the remainder of the period of the Conference. If a Vice-President is elected President under this rule, the Conference shall elect a new Vice-President.

CHAPTER III - SECRETARIAT

Rule 11

1. The Secretary-General of UNCTAD shall be responsible for all arrangements necessary for the carrying out of the work of the Conference. For that purpose, he shall appoint the Director-in-Charge, the Secretary of the Conference and such other staff as may be required by the Conference, its committees and other subsidiary bodies. The Secretary of the Conference shall act in that capacity at all meetings and shall be responsible for making all arrangements connected with such meetings.

2. The secretariat shall receive, translate, reproduce and distribute documents, reports and resolutions of the Conference; interpret speeches made at the meetings; have the custody and preservation of the documents in the archives of the United Nations; and, generally, perform all other work which the Conference may require.

Rule 12

The Secretary-General of UNCTAD or any member of the staff designated by him for that purpose may, subject to rule 14, make either oral or written statements concerning any question under consideration.

CHAPTER IV - CONDUCT OF BUSINESS

Rule 13

The President may declare a meeting open and permit the debate to proceed when representatives of at least one third of the participants in the Conference are present. The presence of representatives of a majority of such participants shall be required for any decision to be taken.

Rule 14

In addition to exercising the powers conferred upon him elsewhere by these rules, the President shall declare the opening and closing of each plenary meeting of the Conference, shall direct the discussions at such meetings, ensure observance of these rules, accord the right to speak, put questions to the vote and announce decisions. He shall rule on points of order and, subject to these rules, shall have complete control of the proceedings and over the maintenance of order thereat. The President may, in the course of the discussion, propose to the Conference, the limitation of time to be allowed to speakers, the limitation of the number of times each representative may speak on any question, the closure of the list of speakers or the closure of the debate. He may also propose the suspension or the adjournment of the meeting or the adjournment of the debate on the question under discussion.

Rule 15

The President in the exercise of his function, remains under the authority of the Conference.

Rule 16

The President or a Vice-President acting as President shall not vote and, except in the case of a President who is not a representative of a participant, shall designate another member of his delegation to vote in his place.

Rule 17

Subject to rules 18 and 19, the President shall call upon speakers in the order in which they signify their desire to speak. No person may address the Conference without having previously obtained the permission of the President. The President may call a speaker to order if his remarks are not relevant to the subject under discussion.

Rule 18

The Chairman of a committee, sub-committee or working party may be accorded precedence for the purpose of explaining the conclusion arrived at by his committee, sub-committee or working party.

Rule 19

During the discussion of any matter, a representative may rise to a point of order, and the point of order shall be immediately decided by the President in accordance with the rules of procedure. A representative may appeal against any ruling of the President. The appeal shall be immediately put to the vote and the President's ruling shall stand unless overruled by a majority of the representatives present and voting. A representative rising to a point of order may not speak on the substance of the matter under discussion.

Rule 20

The Conference may limit the time to be allowed to each speaker and the number of times each representative may speak on any question. When the debate is limited and a representative has spoken his allotted time, the President shall call him to order without delay.

Rule 21

During the course of a debate the President may announce the list of speakers and, with the consent of the Conference, declare the list closed. He may, however, accord the right of reply to any representative if a speech delivered after he has declared the list closed makes this desirable.

Rule 22

During the discussion of any matter, a representative may move the adjournment of the debate on the question under discussion. In addition to the proposer of the motion, two representatives may speak in favour of, and two against, the motion, after which the motion shall be immediately put to the vote. The President may limit the time to be allowed to speakers under this rule.

Rule 23

A representative may at any time move the closure of the debate on the question under discussion, whether or not any other representative has signified his wish to speak. Permission to speak on the motion for closure of the debate shall be accorded only to two speakers opposing the motion, after which the motion shall be immediately put to the vote. The President may limit the time to be allowed to speakers under this rule.

Rule 24

During the discussion of any matter, a representative may move the suspension or the adjournment of the meeting. Such motions shall not be debated, but shall be immediately put to the vote. The President may limit the time to be allowed to the speaker moving the suspension or adjournment of the meeting.

Rule 25

Subject to rule 19, the following motions shall have precedence in the following order over all other proposals or motions before the meeting:

(a) To suspend the meeting;

(b) To adjourn the meeting;

(c) To adjourn the debate on the question under discussion;

(d) To close the debate on the question under discussion.

Rule 26

Proposals and amendments thereto shall normally be submitted in writing to the Secretary of the Conference, who shall circulate copies thereof to all delegations in the languages of the Conference. As a general rule, no proposal shall be discussed or put to the vote at any meeting of the Conference unless copies of it have been circulated to all delegations not later than the day preceding the meeting. Subject to the consent of the Conference, the President may, however, permit the discussion and consideration of proposals or amendments, even though these proposals or amendments have not been circulated or have been circulated only on the same day.

Rule 27

Subject to rule 25, any motion calling for a decision as to the competence of the Conference to adopt a proposal submitted to it shall be put to the vote before a vote is taken on the proposal in question.

Rule 28

A motion may be withdrawn by its proposer at any time before voting on it has commenced, provided that the motion has not been amended. A motion which has thus been withdrawn may be reintroduced by any representative.

Rule 29

Before the Conference takes a decision or makes a recommendation the implementation of which might have programme budget implications for the United Nations, it shall receive and consider a report from the Secretary-General of UNCTAD on such implications.

Rule 30

When a proposal has been adopted or rejected, it may not be reconsidered unless the Conference, by a two-thirds majority of the representatives present and voting, so decides. Permission to speak on the motion to reconsider shall be accorded only to two speakers opposing the motion, after which it shall be immediately put to the vote.

CHAPTER V - VOTING

Rule 31

The delegation of each member of UNCTAD participating in the Conference shall have one vote and, subject to rule 32, the decisions of the Conference shall be made by a majority of the representatives present and voting.

Rule 32

With the exception of decisions on the election of officers, the appointment of members of subsidiary bodies and questions of procedure, the President shall, in the ordinary course of business, ascertain the sense of the

meeting in lieu of a formal vote. If the President is unable to ascertain the sense of the meeting on a particular issue, the issue shall be deferred for consideration at a subsequent meeting or referred to a committee, sub-committee or working party, unless a formal vote is requested by two delegations representing importers and two delegations representing exporters.

Rule 33

For the purpose of these rules, the phrase "representatives present and voting" means representatives present and casting an affirmative or negative vote. Representatives who abstain from voting shall be considered as not voting.

Rule 34

The Conference shall normally vote by show of hands, but any representative may request a roll-call vote, which shall be taken unless on a motion of a representative the Conference decides that the voting should be by secret ballot. The roll-call vote shall be taken in the French alphabetical order of the names of the delegations at the Conference, beginning with the delegation whose name is drawn by lot by the President.

Rule 35

After the President has announced the beginning of the vote, no representative shall interrupt the vote except on a point of order in connection with the actual conduct of voting. The President may permit representatives to explain their votes either before or after the voting. The President may limit the time to be allowed for such explanation.

Rule 36

A representative may move that parts of a proposal or of an amendment shall be voted on separately. If objection is made to the request for division, the motion for division shall be voted upon. Permission to speak on the motion for division shall be given only to two speakers in favour and two speakers against. If the motion for division is carried, those parts of the proposal or of the amendment which are subsequently approved shall be put to the vote as a whole. If all operative parts of the proposal or of the amendment have been rejected, the proposal or the amendment shall be considered to have been rejected as a whole.

Rule 37

When an amendment is moved to a proposal, the amendment shall be voted on first. When two or more amendments are moved to a proposal, the Conference shall first vote on the amendment furthest removed in substance from the original proposal and then on the amendment next furthest removed therefrom, and so on until all the amendments have been put to the vote. Where, however, the adoption of one amendment necessarily implies the rejection of another amendment, the latter amendment shall not be put to the vote. If one or more amendments are adopted, the amended proposal shall then be voted upon. A motion is considered an amendment to a proposal if it merely adds to, deletes from or revises part of that proposal.

Rule 38

If two or more proposals relate to the same question, the Conference shall, unless it decides otherwise, vote on the proposals in the order in which they have been submitted. The Conference may, after each vote on a proposal, decide whether to vote on the next proposal.

Rule 39

1. All elections shall be held by secret ballot unless, in the absence of any objection, the Conference decides to proceed without taking a ballot on an agreed candidate or slate.

2. When candidates are to be nominated, each nomination shall be made by only one representative, after when the Conference shall immediately proceed to the election.

Rule 40

1. When one or more elective places are to be filled at one time under the same conditions, each delegation entitled to vote may cast a vote for as many candidates as there are places to be filled, and those candidates, in a number not exceeding the number of such places, obtaining in the first ballot a majority of the votes cast and the largest number of votes shall be elected.

2. If the number of candidates so elected is less than the number of places to be filled, additional ballots shall be held to fill the remaining places. From such ballots the candidates obtaining the least number of votes in the previous ballot may be eliminated on the proposal of the President.

Rule 41

If a vote is equally divided on matters other than elections, the proposal shall be regarded as rejected.

CHAPTER VI - LANGUAGES

Rule 42

Arabic, Chinese, English, French, Russian and Spanish shall be the languages of the Conference.

Rule 43

Speeches made in any of the languages of the Conference shall be interpreted into the other languages of the Conference.

Rule 44

Any representative may make a speech in a language other than a language of the Conference if he provides for interpretation into one of the languages of the Conference.

CHAPTER VII - PUBLIC AND PRIVATE MEETINGS

Rule 45

The plenary meetings of the Conference shall be held in public unless the Conference decides otherwise.

Rule 46

At the close of any private meeting a communiqué may be issued to the press through the Secretary-General of UNCTAD.

CHAPTER VIII - COMMITTEES, SUBCOMMITTEES AND WORKING PARTIES

Rule 47

In addition to the Credentials Committee, such committees, subcommittees and working parties as may be necessary for the work of the Conference may be established. The composition of each committee or subcommittee shall provide adequate representation for importers and exporters and may, in cases where it appears that such a course would facilitate the business of the Conference, provide for equal representation.

Rule 48

Each committee and subcommittee shall elect its own officers.

Rule 49

The Chairman of a committee, or a Vice-Chairman acting as Chairman, shall participate in the proceedings of the committee in this capacity and shall not vote, but shall designate a member of his delegation to vote in his place.

Rule 50

A majority of the representatives of delegations on a committee or subcommittee shall constitute a quorum.

Rule 51

The provisions of the rules contained in chapters IV-VI shall be applicable to the proceedings of committees and subcommittees.

CHAPTER IX - OBSERVERS

Rule 52

Representatives of Governments designated as observers to the Conference and representatives of specialized agencies which have been invited to the Conference may participate as observers, without the right to vote, in the deliberations of the Conference on questions of particular concern to them, and,

unless the Conference otherwise decides, in any committee which all delegations may attend.

Rule 53

Representatives of competent intergovernmental organizations (other than those referred to in rule 1(b)) and representatives of competent non-governmental organizations may participate as observers, without the right to vote, in the deliberations of the Conference on questions of particular concern to them and, unless the Conference decides otherwise, in any committee which all delegations may attend.

CHAPTER X - AMENDMENTS

Rule 54

These rules of procedure may be amended by decision of the Conference.

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RENEGOTIATION OF THE INTERNATIONAL NATURAL RUBBER AGREEMENT, 1987

Historical development, status and operation of the International Natural Rubber Agreement, 1987

Note prepared by the UNCTAD secretariat in cooperation with the secretariat of the International Natural Rubber Organization

GE.94-50591

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INTRODUCTION

1. This note provides, for the information of the Conference, a review of the background leading to the negotiation of the 1987 Agreement, its main features, the current status of the Agreement and a brief summary of the buffer stock operations and other activities which took place under both the 1979 Agreement and the 1987 Agreement.

I. BACKGROUND OF THE 1987 AGREEMENT, ITS MAIN FEATURES AND STATUS

A. The 1979 Agreement

2. The 1987 Agreement was preceded by the International Natural Rubber Agreement, 1979. When the 1979 Agreement was concluded on 6 October 1979, it was widely considered as an important step forward in international commodities negotiations. It was the first new agreement concluded under UNCTAD's Integrated Programme for Commodities and it contained certain innovative features.

3. As compared to Agreements on other commodities, the 1979 Agreement was unusual at the time it was concluded in that it provided for a buffer stock of a maximum size of 550,000 metric tonnes as the sole instrument of market intervention for price stabilization. It thereby excluded export quotas or production controls, which in some other Agreements were important means of, or the only instruments for, price stabilization.

4. Another special feature of the 1979 Agreement was that it was the first commodity agreement in which buffer stocks were financed by direct cash contributions by governments and the costs of the buffer stocks were shared equally by consuming countries and producing countries. Within each group, contributions were assessed in proportion to members' shares in trade.

5. A third special feature of the 1979 Agreement was that it provided for periodic revisions of the price ranges in close relationship to movements in the daily market indicator price (DMIP)[1] and changes in the buffer stock's size. The underlying rationale of this feature was that buffer stock operations could be kept in line with market conditions, and it would be possible to avoid situations where the agreed price limits could not be sustained because the buffer stock was either exhausted or filled.

6. The 1979 Agreement established upper and lower intervention prices demarcating price levels where the buffer stock manager had discretion to act when the DMIP was outside these levels. As seen in chart 1, these intervention price levels were set at ± 15 per cent of the reference price level. The

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[1] The daily market indicator price (DMIP), as defined in both the 1979 and 1987 Agreements, is a composite average of daily official current-month prices on the Kuala Lumpur, London, New York and Singapore markets. It is comprised of RSS1, RSS3 and TSR20 grades of rubber, RSS being ribbed smoked sheet and TSR being technically specified rubber in block form. All quotations are converted to f.o.b. Malaysian/Singapore ports and expressed in a composite Malaysian/Singapore currency.

reference price was set at an initial level of 210 Malaysian/Singapore cents per kilo. The 1979 Agreement also established upper and lower trigger action prices at ± 20 per cent of the reference price, which the buffer stock manager was obliged to defend. A third set of indicative prices established limits which could not be breached through revision of the trigger action prices.

7. The 1979 Agreement established a Committee on Other Measures to promote and seek finance for the development of the natural rubber economy through expanded and improved production, productivity and marketing. Four areas specified are: research and development programmes and projects of benefit to exporting and importing members, including scientific research in specific areas; programmes and projects to improve productivity in the natural rubber industry; ways and means to upgrade natural rubber supplies and achieve uniformity in quality specifications and presentation; and methods of improving the processing, marketing and distribution of natural rubber.

8. The 1979 Agreement, as extended for the maximum period of two years by decision of the International Natural Rubber Council, expired on 22 October 1987. It had as members seven exporting countries accounting for about 95 per cent of world exports and 25 importing countries plus the European Economic Community, which together represented three fourths of world imports at that time.

B. The 1985 Conference

9. At the request of the International Natural Rubber Council, the United Nations Natural Rubber Conference, 1985, was convened to renegotiate the 1979 Agreement.

10. At the first session of the Conference (22 April - 8 May 1985), wide divergences emerged between proposals of exporting countries and those of importing countries, particularly as regards the initial level of the reference price and related price ranges, and the mechanisms for revision of these levels. Exporting countries did not explicitly propose a major change in the means for market intervention such as an export quota or supply restriction scheme to supplement the buffer stock. Underlying the divergences in the views of the groups were basic differences in their conceptions of the role of a commodity agreement for natural rubber.

11. Importing countries held the view that, given practical constraints in operations, the role of an agreement and its buffer stock was essentially to reduce excessive price fluctuations around the trend in market prices. Representatives of main importing countries expressed approval of the way in which the 1979 Agreement had functioned. Despite the most serious recession in decades, the Agreement had kept prices from breaching the lower trigger action price or "must buy" level of the buffer stock manager. Importing countries attributed this success to three main factors: participation in the Agreement of countries representing very high shares of world exports and imports, adequate financing for the buffer stock and a price range attuned to market conditions. Given their generally positive assessment of the 1979 Agreement, they did not wish to see substantial changes in the structure of the Agreement or in its key elements.

12. Exporting countries saw the goals of a new agreement as being not only to stabilize prices by avoiding excessive price fluctuations but, as stated in the 1979 Agreement, to promote balanced growth of supply and demand, and to help to stabilize export earnings and increase these earnings based on expanding export volumes. In particular, they stressed the need to support prices at levels considered as remunerative and just to producers, as well as sufficiently attractive to growers to encourage them to undertake investment in order to ensure orderly growth of the industry in the longer term, since consumption was expected to continue to grow. The price ranges under the 1979 Agreement were too low as inflation had increased production costs since these ranges were negotiated in 1979. Further, the exporting countries asserted that the lower intervention price did not provide a sufficient incentive to ensure that growers would undertake replanting or planting of new areas. They proposed for a new Agreement a large increase in the reference price and narrowing of the width of the price ranges around the reference price.

13. Regarding the semi-automatic revision of the reference price and related price ranges in the 1979 Agreement referred to in paragraph 5, the exporting countries proposed giving more discretionary authority to the Council to determine when and by how much the reference price and related ranges should be revised. They also placed much importance on including movements in the costs of production in the criteria for adjusting these price levels.

14. Negotiations on these issues continued at the second through fourth sessions of the Conference, which were held respectively in May and October 1986 and March 1987. Key economic provisions were negotiated in a series of informal meetings held during these sessions. The President of the Conference also held a number of informal consultations in periods between the sessions. At its final plenary meeting, on 20 March 1987, the Conference established the text of the International Natural Rubber Agreement, 1987.

15. The representatives of 55 states and the European Economic Community participated in the Conference. A number of specialized and related agencies of the United Nations and two intergovernmental organizations participated as observers.

C. Main features of the 1987 Agreement

1. Objectives

16. The objectives of the 1979 Agreement were maintained in the 1987 Agreement. As established in article 1, they are:

(a) To achieve a balanced growth between the supply of and demand for natural rubber, thereby helping to alleviate the serious difficulties arising from surpluses or shortages of natural rubber;

(b) To achieve stable conditions in natural rubber trade through avoiding excessive natural rubber price fluctuations, which adversely affect the long-term interests of both producers and consumers, and stabilizing these prices without distorting long-term market trends, in the interests of producers and consumers;

(c) To help stabilize the export earnings from natural rubber of exporting members, and to increase their earnings based on expanding natural rubber export volumes at fair and remunerative prices, thereby helping to provide the necessary incentives for a dynamic and rising rate of production and the resources for accelerated economic growth and social development;

(d) To seek to ensure adequate supplies of natural rubber to meet the requirements of importing members at fair and reasonable prices and to improve the reliability and continuity of these supplies;

(e) To take feasible steps in the event of a surplus or shortage of natural rubber to mitigate the economic difficulties that members might encounter;

(f) To seek to expand international trade in and to improve market access for natural rubber and processed products thereof;

(g) To improve the competitiveness of natural rubber by encouraging research and development on the problems of natural rubber;

(h) To encourage the efficient development of the natural rubber economy by seeking to facilitate and promote improvements in the processing, marketing and distribution of raw natural rubber; and

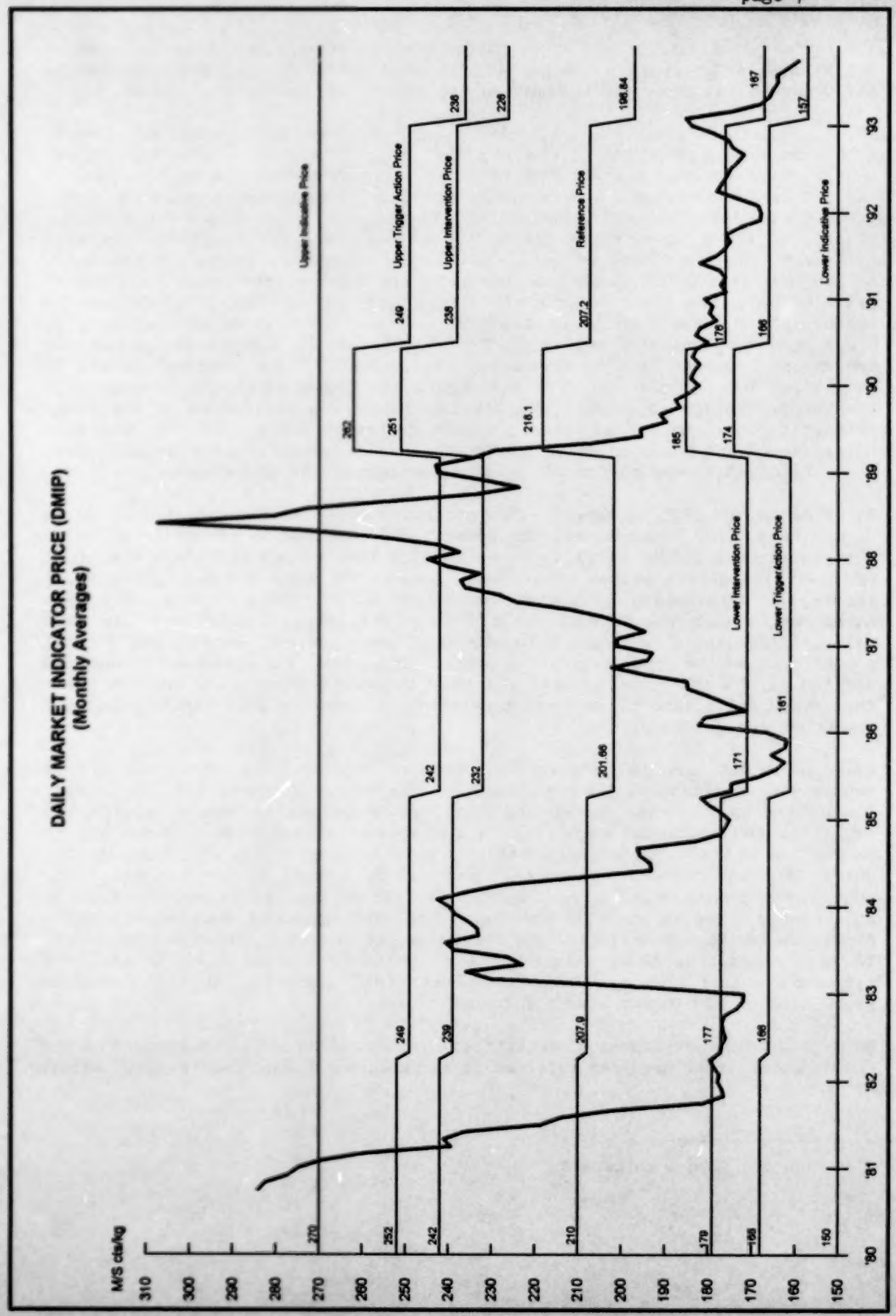
(i) To further international co-operation in and consultations on natural rubber matters affecting supply and demand, and to facilitate promotion and co-ordination of natural rubber research, assistance and other programmes.

2. Operational provisions

17. The operational provisions of the 1987 Agreement are much the same as those of the 1979 Agreement.

18. As in the 1979 Agreement, prices are to be stabilized through the operations of a buffer stock of a maximum size of 550,000 metric tonnes as the sole means of market intervention. The buffer stock consists of a normal buffer stock of 400,000 tonnes and a contingency buffer stock of 150,000 tonnes.

19. The 1987 Agreement maintains the basic structure of the price range. The reference price on entry into force was set at 201.66 Malaysian/Singapore cents per kilo, the current level at that time. As can be seen in chart 1, the upper and lower intervention prices were maintained at ± 15 per cent of the reference price and denote levels above which the buffer stock manager may intervene in the market but is not obliged to do so. The upper and lower trigger action prices were maintained at ± 20 per cent of the reference price and demarcate limits which the buffer stock manager is obliged to defend. Around these price levels, but not specifically related to them, are the upper and lower indicative prices, which are limits that cannot be breached by the trigger action prices when the reference price (and consequently the intervention and trigger action prices)


DAILY MARKET INDICATOR PRICE (DMIP)
(Monthly Averages)
M/S cts/kg
310
300
290
280
270
260
250
240
230
220
210
200
190
180
170
160
150
'80
'81
'82
'83
'84
'85
'86
'87
'88
'89
'90
'91
'92
'93
Upper Indicative Price
270
Upper Trigger Action Price
262
249
242
Upper Intervention Price
251
238
232
Reference Price
218.1
207.2
201.66
Lower Intervention Price
185
174
171
Lower Trigger Action Price
178
168
161
Lower Indicative Price
167
157
252
242
210
179
168
150

are revised. The upper and lower indicative prices were maintained at 270 and 150 Malaysian/Singapore cents per kilo respectively. The composition of the daily market indicator price remained the same as in the 1979 Agreement.[2]

20. Like the 1979 Agreement, the 1987 Agreement contains provisions for semi-automatic revisions of the reference price, based on market price trend and net changes in the buffer stock's size. However, several modifications were made to the revision mechanisms. The reference price is to be reviewed every 15 months instead of every 18 months under the 1979 Agreement. A second modification relates to the size of the revision of the reference price. Under the 1979 Agreement, if at the time of the regular price review the average of the daily market indicator price (DMIP) has been above the upper intervention ("may sell") price or below the lower intervention ("may buy") price, for the preceding six months, the reference price is automatically revised upwards or downwards by 5 per cent respectively, unless the Council decides on a different percentage adjustment. Under the 1987 Agreement, the automatic 5 per cent adjustment is maintained but, unlike the 1979 Agreement, the Council may only decide on a greater percentage adjustment. A similar change was introduced in the semi-automatic provision for adjustment of the reference price by 3 per cent when buffer stock purchases or sales of 300,000 tonnes are effected. In this case, too, the Council may only decide on a higher percentage adjustment.

21. As in the 1979 Agreement, when purchases or sales from the buffer stock reach the 400,000-tonne level, the Council shall decide on the price at which the contingency buffer stock is to be brought into action to defend the upper or lower indicative prices. There was, however, a modification to the price levels for intervening with the contingency buffer stock. Under the 1987 Agreement, unless the Council decided otherwise, these levels were set at 2 Malaysian/Singapore cents per kilo above the lower indicative price and 2 cents per kilo below the upper indicative price. Under the 1979 Agreement, they were defined as the mid-point between the lower trigger action price and the lower indicative price, and the mid-point between the upper trigger action price and the upper indicative price.

22. As under the 1979 Agreement, members of the 1987 Agreement commit themselves to financing the total cost of the buffer stock of 550,000 tonnes. The financing of both normal and contingency stocks is shared equally by exporting and importing countries, and assessments within each group are in proportion to trade, as determined through allocation of votes, including initial votes for each member. The total cost of the normal buffer stock and the contingency buffer stock are to be paid by direct cash contributions made by governments. Unlike the 1979 Agreement, the 1987 Agreement does not contain a provision for borrowing to finance purchases for the contingency buffer stock. The 1987 Agreement nevertheless contains the same provision as in the 1979 Agreement authorizing the Council to take full advantage of the financing facilities of the Common Fund for Commodities.

23. Regarding developmental activities, the functions and areas covered by the Committee on Other Measures referred to in paragraph 7 were maintained. Added

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[2] See footnote 1 on page 3.

to them was development of end-uses of natural rubber through programmes and projects leading to increased and new uses of the commodity.

D. Status of the 1987 Agreement

24. The Agreement was opened for signature from 1 May to 31 December 1987. It entered into force provisionally on 29 December 1988 and definitively on 3 April 1989, the conditions stipulated in paragraphs 1 and 2 of article 60 having been met. The Agreement, originally due to expire at the end of its initial five-year period on 28 December 1993, was extended for a period of one year by decision of the International Natural Rubber Council. Thus, it is currently due to expire on 28 December 1994. It may, however, be extended again for a period of up to one year by a decision of the Council.

25. As listed in the annex to this note, 6 countries are exporting members and 21 countries plus the European Economic Community are importing members. They represent respectively 94 per cent of world exports and 71 per cent of world imports in recent years. Leading exporting countries are Indonesia, Malaysia and Thailand. Major importing countries and groups are China, the European Economic Community, Japan, the Russian Federation and the United States of America.

26. The headquarters of the International Natural Rubber Organization is in Kuala Lumpur, Malaysia.

27. The International Natural Rubber Council, in its Resolution 158 (XXVIII) of 30 November 1993 on renegotiation of the 1987 Agreement, requested the Secretary-General of UNCTAD to convene a United Nations Conference to establish the text of a successor agreement.

E. Preparation for renegotiation of the 1987 Agreement

28. On 22 November 1993, at its twenty-eighth session, the International Natural Rubber Council established a Preparatory Committee to assist the Council in preparation for renegotiation as well as to review the articles in the 1987 Agreement and prepare basic documentation for the Conference.

29. The Preparatory Committee met during the session. The attention of the meeting was drawn to some topics for renegotiation which included:

- the level of the reference price on entry into force of a new agreement;
- the width of the price limits expressed as percentages of the reference price;
- whether there should be "may buy" and "may sell" zones in the price range;
- the levels on entry into force of the upper and lower indicative prices;

- the price levels related to use of the contingency buffer stock;

- the periodicity and percentage of automatic adjustment of the reference price in response to movements of the daily market indicator price (DMIP);

- the amount of net change in the buffer stock that triggers review and revision of the reference price; and

- the components and method of calculation of the DMIP.

II. OPERATION OF THE 1979 AND 1987 AGREEMENTS

A. Buffer stock operations

1. Operations under the 1979 Agreement

30. As seen in chart 1, a year after the 1979 Agreement entered into force in October 1980, the daily market indicator price (DMIP) had fallen by 35 per cent and had entered the buffer stock manager's "may buy" zone. A total of 273,000 tonnes of natural rubber were purchased for the buffer stock to support prices in the 14-month period running from the last week in October 1981 to the end of January 1983.

31. On 8 May 1982, the reference price was revised downward to 207.9 Malaysian/Singapore cents per kilo from its initial level in the 1979 Agreement of 210 cents per kilo. The revision was pursuant to the provision pertaining to the action to be taken when the six-month average of the DMIP was below the lower intervention price, as discussed in paragraph 20.

32. The DMIP unexpectedly soared from the lower intervention price in mid-January 1983 to the upper intervention price in mid-April 1983. It fluctuated around that level to mid-March 1984. Although the DMIP was in the "may sell" zone from time to time, the recovery in demand was not considered strong enough to warrant sales from the buffer stock. The DMIP then fell rapidly from mid-March 1984 to the end of October of that year, although there was a short-lived recovery around July and August 1984.

33. From November 1984 to the first week of May 1985, the DMIP fluctuated around the lower intervention price. Purchases of 3,550 tonnes were made for the buffer stock. From then to the end of the year, the DMIP was near the "must buy" level and over 100,000 tonnes were purchased for the buffer stock to support prices. These purchases brought the total size of the buffer stock to about 357,000 tonnes.

34. On 15 August 1985, the reference price was revised downward to 201.66 cents per kilo in connection with the provision in the 1979 Agreement pertaining to net purchases of 300,000 tonnes referred to in paragraph 20.

35. From January 1986 to August 1987, the DMIP soared from near the "must buy" level to the "may sell" level. It was in the "may sell" zone and above it from the beginning of September 1987 to the third week of March 1989. The entire

buffer stock was sold in this period in an attempt to limit upward price movements. This interval covers the interim period between the expiry of the 1979 Agreement on 22 October 1987 and the entry into force of the 1987 Agreement on 29 December 1988.

2. Operations under the 1987 Agreement

36. When the 1987 Agreement entered into force on 29 December 1988, 25,000 metric tonnes remained in the buffer stock. The daily market indicator price (DMIP) was still in the buffer stock manager's "may sell" zone where it remained through the first quarter of 1989, as seen in chart 1. The 25,000 tonnes in the buffer stock were sold in this quarter as the DMIP continued to be in the "may sell" zone.

37. On 7 April 1989, at the first session of the Council under the 1987 Agreement, the reference price was revised upward to 218.10 Malaysian/Singapore cents per kilo pursuant to the provisions in the Agreement pertaining to the net sale of 300,000 tonnes since the last revision and another provision on revision relating to the average of the DMIP over the previous six months.

38. Market sentiment turned weak in the second quarter of 1989 on reports of slower economic growth and declining sales in the motor vehicle and tyre industries in many of the industrialized countries. As a result, the DMIP fell rapidly into the "may buy" zone by the end of the year, marking the start of a four-year period of low prices.

39. In the first quarter of 1990, 34,500 tonnes were purchased for the buffer stock to support prices as the DMIP remained in the "may buy" zone. The DMIP also remained in that zone during the second quarter. On 10 July 1990, the reference price was revised downward to 207.20 cents per kilo in the revision procedure pertaining to the six-month average of the DMIP. Consequently the "may buy" zone was lowered and the DMIP hovered above it in the second half of 1990. No purchases for the buffer stock were made in the second through fourth quarters of 1990.

40. The world economy continued to suffer from economic recession and conditions in the rubber market were weak and depressed by poor consumer demand. Major automobile and tyre manufacturers reported huge losses and were forced to reduce production. A total of 76,000 tonnes were purchased for the buffer stock in August, October and December 1991 to support prices when the DMIP was in the "may buy" zone. The total size of the buffer stock reached 110,000 tonnes at the end of 1991.

41. Prices remained weak in 1992. A resurgence of demand in the first half of the year was slight and shortlived. The DMIP was in the "may buy" zone for most of the year, rising above it only in April, May and December. A total of 69,000 tonnes was purchased for the buffer stock in August through October to sustain prices, thus bringing its overall size to 179,575 tonnes at the end of 1992.

42. A review of the reference price in connection with the six-month average of the DMIP was held on 29 January and 2 February 1993. The reference price was reduced by 5 per cent, bringing it to a new level of 196.84 Malaysian/Singapore cents per kilo.

43. Purchases for the buffer stock were made in September, October and December 1993. The total size of the buffer stock reached 215,000 tonnes by the end of 1993.

B. Effectiveness of the operations

44. It is generally recognized that purchases for the buffer stock succeeded in their price stabilization objective of supporting the DMIP in the "may buy" zone and preventing it from falling below the lower trigger action price or "must buy" level. This result is clearly seen in chart 1. Buffer stock sales from late 1987 to early 1989 were apparently less successful in defending the upper trigger action or "must sell" level, although the 357,000 tonnes sold helped to meet shortages and limit the high price movements.

45. As regards a basic objective of the 1987 Agreement on achievement of balanced growth of supply and demand there has been widespread and strong criticism in the exporting countries of the low levels of the reference price and price ranges related to it. When the 1979 Agreement entered into force in 1980, the reference price was set at 210 Malaysian/Singapore cents per kilo. Thirteen years later it was actually lower at 196.84 cents per kilo. As a result of low prices and low returns to growers, some producers have abandoned holdings and reduced tappings. Questions have also been raised as to whether there are sufficient incentives for replanting land bearing old unproductive trees with young high-yield trees which are important for security of supplies to consumers as well as for producers' income in the future. National policies relating to replanting and new plantings have had to be reviewed because of the low levels of prices over long periods, particularly the low levels prevailing since 1989. The concept of stabilization of prices around the market trend has been criticized as not meeting the objective of orderly development of the natural rubber economy over the long term.

46. Another basic objective of the 1987 Agreement is to help to stabilize export earnings and increase them based on expansion of export volumes. It is generally recognized that purchases for the buffer stock have supported prices and helped in this way to make export earnings less unstable. Statistical analysis of volumes of exports of natural rubber, with earnings expressed in SDR and unit values as a proxy for price, has shown the following results for the period from 1980 to 1992 which covers the time when both the 1979 and 1987 Agreements were in force. Indonesia had an average gain of 1.7 per cent per year in export earnings as volume increased by 2.4 per cent per year on average while unit value fell by 1.4 per cent per year on average over the period. Thailand's earnings grew by an average of 5.2 per cent per year as volume expanded strongly by an average of 9.9 per cent per year, despite a drop of 4.0 per cent per year in unit value on average over the whole period. Malaysia, on the other hand, suffered an average decline in export earnings of 5.2 per cent per year as volume decreased on average by 2.9 per cent and unit value by 3.1 per cent per year.

Thus, these trends suggest that two of the major exporters have had considerable increases in export earnings based on an expansion of export volumes despite a fall in unit values, while the third major exporter had a serious decrease in earnings as both volume and unit value fell over the 1980 to 1992 period.

C. Other activities

47. With regard to commodity development measures in production, marketing and end-uses of natural rubber, a large number of project proposals have been considered in INRO. The Common Fund for Commodities agreed to provide approximately US$2 million for a project, "Development of blends of natural rubber with specialty elastomers", which was sponsored by INRO and is being carried out by the International Rubber Research and Development Board.

48. INRO has also carried out a range of other developmental activities. One of these efforts was preparation and distribution of directories of polymer science and short management courses. Studies, such as one on natural rubber production and environmental issues, have been undertaken.

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Geneva, 5 April 1994
Agenda item 2

AGENDA [1]

1. Opening of the Conference
2. Adoption of the agenda
3. Adoption of the rules of procedure
4. Election of officers
5. Credentials of representatives
   (a) Appointment of the Credentials Committee
   (b) Report of the Credentials Committee
6. Admission of observers
7. Establishment of an Executive Committee and of other committees as required
8. Renegotiation of the International Natural Rubber Agreement, 1987
9. Consideration and adoption of final resolution
10. Other business

[1] Adopted by the Conference at its first plenary meeting, on 5 April 1994.

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Agenda item 5(b)

REPORT OF THE CREDENTIALS COMMITTEE

1. At its second plenary meeting held on 6 April 1994, the United Nations Conference on Natural Rubber, 1994, in accordance with rule 4 of its rules of procedure, appointed a Credentials Committee consisting of the representatives of China, Indonesia, Nigeria, United Kingdom of Great Britain and Northern Ireland and the United States of America.

2. The Committee held a meeting on 14 April 1994, at which it unanimously elected Mr. Wardana (Indonesia) as Chairman of the Credentials Committee. Credentials had been received from all the 29 States participating in the Conference.

3. The Committee found the credentials of the representatives of the States participating in the Conference to be in good and due form and recommended to the Conference that they be approved.

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